



Annual Report 2014

Specialty Property and Casualty Insurance
Fixed and Fixed-Indexed Annuities



A BALANCED COMPOSITION



An artist's palette holds many possibilities. Beautiful pieces of art arise from the right mix of colors, sources of inspiration, skill and experience. As leaders in the specialty insurance market, American Financial Group sees the possibilities that arise within an entrepreneurial business model founded on integrity, customer focus and disciplined capital management. In many respects, this business model, along with our culture and values, represents our palette, and our 30-plus specialty insurance businesses are the colors. They enable us to paint the canvas that is American Financial Group.





Carl H. Lindner III (left) and S. Craig Lindner, Co-Chief Executive Officers



TO OUR SHAREHOLDERS

Success in our business can be measured in various ways; however, creation of long-term value for our shareholders is the key metric we use in evaluating our effectiveness. After all, if our focus is on value creation over time, the underlying fundamentals of our business must position us to produce profitable results year after year. Our portfolio of diversified specialty niche insurance businesses is part of a larger entrepreneurial model that rewards business leaders for disciplined decision making and pricing, while providing the resources that facilitate a nimble response to new business opportunities.

We believe that the mix of our businesses is essential to helping us achieve consistency in our results. When some of our businesses are performing at their peak, those results can offset the impact of other businesses that are not. It is a science to understand risks in order to design and price insurance solutions; but it is an art to build an effective business culture based on specialization, integrity and accountability. Getting both the science and the art right – time and time again – has helped us earn the respect of our policyholders and agents, build a strong brand and establish a reputation as an industry leader in many of the niche markets we serve.

As a premier specialty insurer, we focus on offering products and services where we have expertise and strong distribution relationships that enable us to deliver excellent policyholder service. Integral to the success of our model is an incentive-based compensation program, which ensures effective alignment of performance to objectives. This model, coupled with a robust talent management program, allows us to identify, develop and appropriately reward business leaders who enhance the Company's intellectual capital. We are proud of our results and welcome this opportunity to share a few 2014 highlights with you.

Superior underwriting results, exceptional investment management capabilities and intelligent deployment of our capital have allowed us to achieve compounded growth in AFG's adjusted book value plus dividends of approximately 12% over the past five years.

2014 RESULTS

We grew our businesses both organically and through the addition of specialty property and casualty ("P&C") insurance businesses during the year, including the April 1, 2014 acquisition of Summit Holding Southeast, Inc. ("Summit") and its related companies. The acquisition of Summit added \$410 million in net written premiums in 2014. We have grown several of our businesses in response to market opportunities while achieving or exceeding targeted returns. In other businesses, we preserved our underwriting profit margins in lieu of growth. Well-timed execution and disciplined decision making allowed us to earn after-tax returns on equity of approximately 14% in our specialty P&C business and approximately 11% in our annuity business during 2014.

Net earnings were \$452 million or \$4.97 per share for the year. These results reflect strong core operating earnings in our specialty P&C and annuity businesses, and include realized gains and other non-core items. AFG produced record core net operating earnings per share of \$4.82 for the year, an increase of 14% from the prior year. Strong underwriting profit in our specialty P&C insurance operations and continued solid earnings in our annuity business drove these record core operating results.

AFG's adjusted book value per share grew to \$48.76 at the end of 2014. Total value creation, measured as the change in adjusted book value

plus dividends, was \$4.77 per share, or 10%, for the year. Superior underwriting results, exceptional investment management capabilities and intelligent deployment of our capital have allowed us to achieve compounded growth in AFG's adjusted book value plus dividends of approximately 12% over the past five years. Our balance sheet remains strong, with \$47.5 billion in assets at December 31, 2014, and a debt to total capital ratio of 16%.

Specialty P&C Group

The combined operating ratio of 93.9% in our specialty P&C business during 2014 was slightly higher than the previous year, as improved accident year results were more than offset by lower favorable reserve development. The overall performance of businesses within our Specialty Casualty Group and consistently superior underwriting profitability of the businesses within our Specialty Financial Group contributed to these results. Focused efforts to increase profitability in some of our Property and Transportation Group businesses have been effective and we continue to focus on improving results in our transportation businesses. Profitability in our international businesses has not met our expectations, and we continue to focus on improvements in those operations as well.

Over two-thirds of our specialty P&C businesses achieved pricing increases during 2014, with an average overall renewal rate increase of approximately 3% for the year. Through the end



of 2014, we achieved overall price increases in 13 consecutive quarters. Although we experienced some pricing deceleration toward the end of the year, we continue to see opportunities for rate increases in 2015, particularly in our Property and Transportation Group. Our overall pricing remained at or above loss cost trends, which were relatively benign, due in part to the low inflation environment.

Notwithstanding the impact that lower commodity prices had on our crop insurance business, we reported growth in net written premiums in most of our specialty P&C businesses during 2014. Net written premiums increased 20% during the year, primarily due to the acquisition of Summit. Excluding Summit, growth in net written premiums was 8%. Our Specialty Casualty Group was the primary driver of the higher premiums, achieving growth in net written premiums of 52%. Excluding Summit, the remaining businesses in this group grew by 19%. The impressive growth in premiums was largely the result of market expansion and rate increases in several of our casualty lines of business.

In addition to the acquisition of Summit, we launched our Aviation Division, serving a niche aviation insurance market for difficult to place risks, or risks that require a tailored approach. These new additions brought our specialty P&C businesses to a total of 30. We also acted on an opportunity to grow our Public Sector business through the acquisition of renewal rights, a transaction that more than tripled the net written premium for this business unit during

2014. We are always looking for opportunities to expand our specialty P&C operations through start-ups, bolt-on businesses or acquisitions.

Annuities

We were pleased with results in the annuity business during 2014. Average annuity assets and reserves grew by 17% and 18%, respectively, year over year. Our annuity business produced core pretax operating earnings of \$328 million in 2014, in line with the record results reported during 2013. Interest rate and stock market fluctuations have an impact on the accounting for fixed-indexed annuities (FIAs); these accounting adjustments are recognized through AFG's reported core earnings. Excluding the impact of fair value accounting for FIAs, core pretax operating earnings in the annuity business increased by 16%, as growth in annuity assets was marginally offset by the run-off of higher yielding investments. In addition, earnings in 2014 and 2013 benefitted from unanticipated investment and other income.

Statutory annuity premiums were \$3.7 billion in 2014, the second highest level of annuity premiums in the Company's history. While this represented an 8% decrease from the prior year – which established a record level of annuity premiums for AFG and occurred in a favorable interest rate environment – results were in line with our expectations in a low interest rate environment. As a result of a consistent pattern of strong sales over the past three years, particularly from sales of single premium annuities



through financial institutions, AFG's fixed annuity reserves have grown from \$15 billion at the end of 2011 to nearly \$24 billion at year end 2014. With a focus on sales of fixed and fixed-indexed annuities, our annuity business has achieved an 18% compounded annual growth rate in assets since our acquisition of Great American Life Insurance Company in 1973, and is earning strong returns on new business.

Investments

Our focus remains on achieving investment returns over the long term that outperform market indices while effectively managing our portfolio risk. In fact, we view investment management as a core competency. An in-house team of investment professionals manages our \$36 billion investment portfolio and has executed a consistent strategy over many years and diverse economic cycles, delivering results exceeding industry benchmarks. Our investment portfolio is comprised primarily of investment grade securities providing a predictable, steady stream of income.

For the seven years ended December 31, 2014, a time period that captures the beginning of the

global financial crisis, our fixed income portfolio outperformed the insurance industry by an estimated 150 basis points per year, or approximately \$2 billion. Opportunistic purchases of non-agency residential mortgage-backed securities were the primary driver of these returns, which significantly surpassed those of other fixed income indices over the same time period. In addition, our equity portfolio achieved a total return of approximately 17% per year, outperforming the S&P 500 Index by approximately 10% per year, or approximately \$300 million during the same time period.

A COMMITMENT TO CREATING LONG-TERM VALUE FOR SHAREHOLDERS

We believe that the considerable ownership of AFG's stock by our management team and employees aligns our interests with those of our public shareholders.

We expect to continue to return excess capital to shareholders through dividends and opportunistic share repurchases. We will maintain financial leverage and capital adequacy at levels that are prudent for our business and consistent

with our commitments to ratings agencies while maintaining a sufficient level of liquidity to respond to business needs and opportunities.

We returned approximately \$360 million to shareholders in the form of dividends and share repurchases during 2014. On a market value basis, the compounded annual growth rate of AFG's Common Stock plus dividends for the five-year period ended December 31, 2014 was approximately 23%, far exceeding comparable indices. These measures serve as benchmarks as we evaluate our effectiveness in value creation.

During 2014, we announced a 14% increase in AFG's regular quarterly dividend to an annual rate of \$1.00 per share. This marks the ninth consecutive annual dividend increase for the Company. In addition, we paid a special dividend of \$1.00 per share in December of 2014. The five-year compounded annual growth in dividends paid to our shareholders is approximately 12%, excluding special dividends. Dividend payments and share repurchases have enabled us to return over \$1.8 billion to our shareholders over the past five years.

CAPITAL AND LIQUIDITY

Capital management remains a priority for us. AFG's financial condition is strong, with \$810 million in excess capital (including cash at the parent company of approximately \$290 million) as of December 31, 2014.

The capital in our insurance businesses exceeds, or is consistent with, amounts required for our ratings levels. Holding capital in excess of current ratings levels allows us to operate confidently in forming business plans while maintaining the financial strength to effectively compete in the marketplace.

We will invest capital in businesses that have potential for healthy, profitable organic growth, and evaluate opportunities to expand our specialty

niche businesses through acquisitions and start-ups that meet our target return thresholds.

The growth within AFG's specialty P&C business, particularly within the Specialty Casualty Group, serves as a good example of organic growth opportunities. Our business model allows us to allocate capital to businesses with the greatest return potential, and scale back growth when we are unable to reach targeted returns. We will continue to evaluate business opportunities that have the potential to produce desired long-term returns. Alignment with our existing businesses and cultural fit are other considerations when we evaluate opportunities to expand our specialty insurance portfolio.

On a market value basis, the compounded annual growth rate of AFG's Common Stock plus dividends for the five-year period ended December 31, 2014 was approximately 23%, far exceeding comparable indices.

LOOKING AHEAD

We know that sustained performance and financial strength will lead to growth in book value and increased shareholder value over time. We believe this model will allow us to earn double-digit returns on equity, grow book value annually at double-digit rates, and maintain a strong balance sheet and adequate liquidity to provide financial flexibility.

As we look forward, we remain committed to the core aspects of our strategic focus that have enabled us to increase shareholder value over the long run.

Superior underwriting, investing and capital management have allowed us to outperform industry averages and our peers. Our business

We believe our business model positions us well to produce solid results that will continue to outperform the industry.

model rewards discipline and agility for managing our operations through changing business and economic environments including phases of the overall insurance cycle, the interest rate environment and the stock market. Our business leaders

understand the importance of providing superior service to policyholders and agents, and the value in maintaining our track record of financial strength.

We believe our business model positions us well to produce solid results that will continue to outperform the industry, and to identify opportunities and execute when we see ways to profitably grow our specialty businesses. We are proud of our Company's specialty insurance expertise and a history that dates back to 1872 with the founding of our flagship insurer, Great American Insurance Company.

We thank God, our talented management team and employees for a successful year and for helping us maintain the financial strength that allows us to best serve our policyholders, agents and brokers. We also thank you, our shareholders, for your investment and confidence.



S. Craig Lindner
Co-Chief Executive Officer

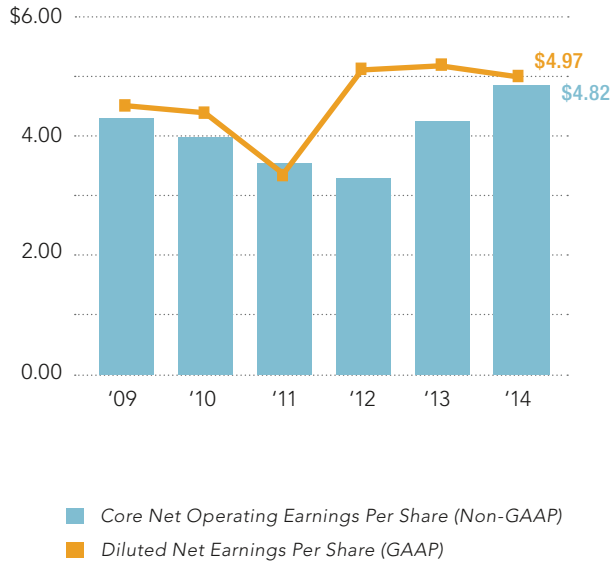


Carl H. Lindner III
Co-Chief Executive Officer



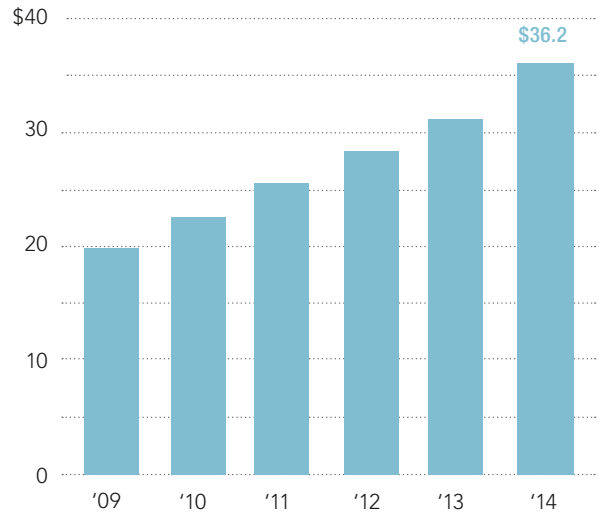
Earnings Per Share

For the year ended December 31



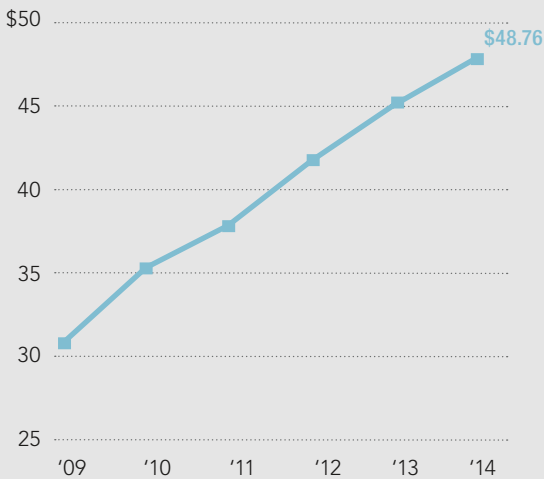
Invested Assets

As of December 31 (in billions)



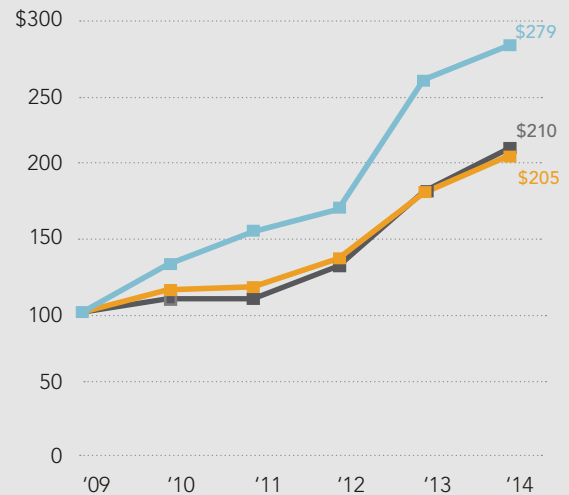
Adjusted Book Value Per Share

As of December 31 (excluding appropriated retained earnings and unrealized gains and losses on fixed maturities)



5 Year Cumulative Total Shareholder Return

on AFG Common Stock vs S&P Indices, as of December 31



- AFG Common Stock
- S&P 500 Index
- S&P 500 Property & Casualty Insurance Index

This graph assumes \$100 invested on December 31, 2009 in AFG's Common Stock, the S&P 500 Index and the S&P 500 Property & Casualty Insurance Index, including reinvestment of dividends.



FINANCIAL STRENGTH RATINGS

Specialty Property & Casualty Insurance Group

Great American Insurance Company
 American Empire Surplus Lines Insurance Company
 Mid-Continent Casualty Company
 National Interstate Insurance Company
 Vanliner Insurance Company
 Republic Indemnity Company of America
 Bridgefield Casualty Insurance Company
 Bridgefield Employers Insurance Company
 Marketform/Lloyd's Syndicate

A.M. Best*

A+ (Superior)
 A+ (Superior)
 A+ (Superior)
 A (Excellent)
 A (Excellent)
 A (Excellent)
 A (Excellent)
 A (Excellent)
 A (Excellent)
 A (Excellent)

Standard & Poor's*

A+
 A+
 A+
 Not Rated
 Not Rated
 A+
 A
 A
 A

Annuity Group

Great American Life Insurance Company
 Annuity Investors Life Insurance Company

A (Excellent)
 A (Excellent)

A+
 A+

*Information above reflects ratings in effect as of March 16, 2015.

Dollars in millions, except per share amounts

BALANCE SHEET DATA

	2014	2013	2012
Cash and investments	\$36,210	\$31,313	\$28,449
Total assets	47,535	42,087	39,171
Long-term debt	1,061	913	953
Shareholders' equity	4,879	4,599	4,578
Book value per share ^A	\$55.65	\$50.83	\$50.61
Adjusted shareholders' equity ^B	4,277	4,109	3,784
Adjusted book value per share ^B	\$48.76	\$45.90	\$42.52
Cash dividends per share ^C	\$1.910	\$1.805	\$0.970
Ratio of debt to total capital ^D			
Including subordinated debt and debt secured by real estate	19.2%	17.6%	19.4%
Excluding subordinated debt and debt secured by real estate	15.6%	16.6%	18.4%
Shares outstanding	87.7	89.5	89.0

SUMMARY OF OPERATIONS

	2014	2013	2012
Total revenues	\$5,713	\$5,092	\$4,957
Components of net earnings:			
Core net operating earnings ^E	\$439	\$385	\$314
Gain on sale of Med supp and critical illness	–	–	114
Other realized gains	32	138	128
Long-term care reserve charge	–	–	(99)
Special A&E charges	(19)	(49)	(21)
AFG tax case and settlement of open tax years	–	–	67
Other	–	(3)	(15)
Net earnings attributable to shareholders – GAAP	\$452	\$471	\$488
Return on shareholders' equity:			
Core net operating earnings ^F	11%	10%	8%
Net earnings ^F	11%	12%	13%
Components of diluted earnings per share:			
Core net operating earnings ^E	\$4.82	\$4.22	\$3.27
Gain on sale of Med supp and critical illness	–	–	1.19
Other realized gains	0.36	1.52	1.34
Long-term care reserve charge	–	–	(1.03)
Special A&E charges	(0.21)	(0.54)	(0.22)
AFG tax case and settlement of open tax years	–	–	0.70
Other	–	(0.04)	(0.16)
Diluted earnings per share	\$4.97	\$5.16	\$5.09

A Excludes appropriated retained earnings.

B Excludes appropriated retained earnings and unrealized gains and losses on fixed maturity investments.

C Includes special cash dividends of \$1.00 per share paid in December 2014 and 2013 and \$0.25 per share paid in December 2012.

D The ratio is calculated by dividing AFG's long-term debt by its total capital, which includes long-term debt, noncontrolling interests and shareholders' equity (excluding unrealized gains (losses) related to fixed maturity investments and appropriated retained earnings related to managed investment entities).

E Certain significant items that may not be indicative of ongoing core operations are excluded in deriving our core net operating earnings, a non-GAAP measure used for discussion and analytical purposes. Though it is not a generally accepted accounting principles ("GAAP") measure, it is a key performance measure used by analysts and ratings agencies.

F Excludes appropriated retained earnings and accumulated other comprehensive income.

SPECIALTY PROPERTY AND CASUALTY INSURANCE OPERATIONS

Property and Transportation Group

Agricultural-related

Federally reinsured multi-peril crop (allied lines) insurance covering most perils as well as crop-hail, equine mortality and other coverages for full-time operating farms/ranches and agribusiness operations on a nationwide basis.

Commercial Automobile

Coverage for vehicles (such as buses and trucks) in a broad range of businesses including the moving and storage and transportation industries and a specialized physical damage product for the trucking industry.

Inland and Ocean Marine

Builders' risk, contractors' equipment, property, motor truck cargo, marine cargo, boat dealers, marina operators/dealers and excursion vessels.

Specialty Casualty Group

Excess and Surplus

Liability, umbrella and excess coverage for unique, volatile or hard to place risks, using rates and forms that generally do not have to be approved by state insurance regulators.

Executive and Professional Liability

Liability coverage for directors and officers of businesses and non-profit organizations, errors and omissions, and medical malpractice insurance.

General Liability

Coverage for contractor-related businesses, energy development and production risks and environmental liability risks.

Targeted Programs

Coverage (primarily liability and property) for social service agencies, leisure, entertainment and non-profit organizations, customized solutions for other targeted markets and alternative risk programs using agency captives.

Umbrella and Excess Liability

Liability coverage in excess of primary layers.

Workers' Compensation

Coverage for prescribed benefits payable to employees who are injured on the job.

Specialty Financial Group

Fidelity and Surety

Fidelity and crime coverage for government, mercantile and financial institutions and surety coverage for various types of contractors and public and private corporations.

Lease and Loan Services

Coverage for insurance risk management programs for leasing and lending institutions, including equipment leasing and collateral and lender-placed mortgage property insurance.

ANNUITY OPERATIONS

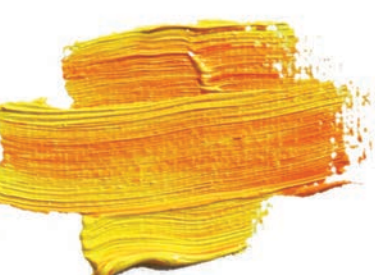
Traditional Fixed and Fixed-Indexed Annuities

Sold primarily in the retail, financial institutions and education markets.

RUN-OFF OPERATIONS

Long-Term Care and Life Insurance

In-force blocks of business that are not actively marketed.



OPERATIONAL OVERVIEW

Strength through specialization

Our business is founded on an entrepreneurial model with experienced professionals overseeing each of our specialty businesses focused on a particular industry, product or market. Decision making related to underwriting, claims and policy servicing is handled within each of our specialty P&C niches; while product design and pricing strategies are established within each of our annuity channels. This decentralized structure promotes agility and provides autonomy to individual businesses to design products, develop distribution strategies, and build and sustain lasting relationships in the markets they serve. This organizational structure also promotes an entrepreneurial spirit, which allows our teams to react quickly to changes in the marketplace and to efficiently meet our customers' needs. Centralized business support and investment management functions provide a framework for success so each business can focus on growing its businesses and serving its customers.

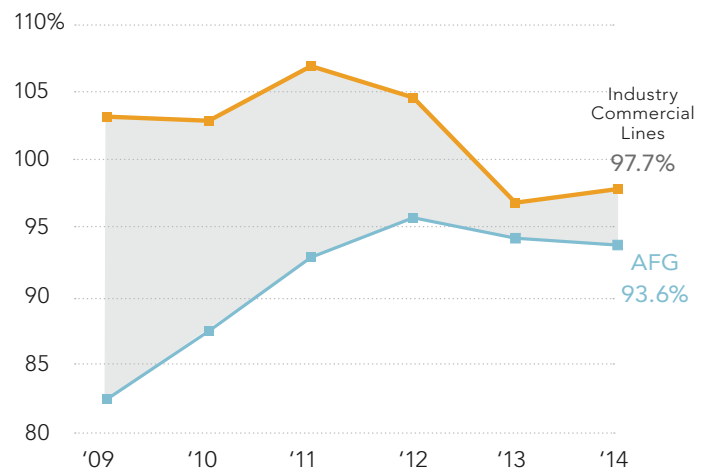
This model is also designed to promote accountability. Performance benchmarks and operational and financial measures provide a clear line of sight into overall results. Business leaders are rewarded for strong performance through unique compensation programs that offer incentives that align with the strategic and financial goals of AFG.

Our commitment to superior claims service, disciplined underwriting and product innovation have resulted in underwriting outperformance within the commercial property and casualty insurance industry in 27 of the past 29 years. Over the past 10 years, the combined operating ratio of AFG's property and casualty operations has been more favorable than the industry by nearly 10 points. In our annuity business, the shift to a consumer-centric model has increased annuity reserves by more than 50% over the last three years.

AFG and its Great American Insurance Group member companies employ approximately 7,800 employees in over 100 office locations throughout North America and Western Europe. Our business success is highly dependent on our ability to attract and retain qualified employees. AFG places a high priority on identifying and developing key talent, and is committed to leadership development at all levels of our organization. We believe our people-focused culture, supported by a commitment to open and honest communication and a healthy work/life balance, enables us to attract, retain and empower a robust talent pipeline. Our culture, coupled with a business model that allows high performers to excel, makes AFG a desirable place to work, to do business with and to invest in.

Business leaders are rewarded for strong performance through unique compensation programs that offer incentives that align with the strategic and financial goals of AFG.

Statutory Combined Ratio (COR)



Industry Commercial Lines based on data from A.M. Best



Specialty Property and Casualty (P&C) Insurance Operations

We are proud that Great American Insurance Company, our flagship insurer in our P&C business, is rated “A+” (Superior) and is one of only five property and casualty insurers to have maintained a financial strength rating of “A” or better from A.M. Best Company for over 100 years. Our property and casualty insurance is distributed through thousands of independent insurance agents and brokers who rely on the financial strength that is signified by this rating. In fact, less than 10% of AFG’s 2014 gross written premiums were produced by the three largest U.S. brokers.

Our diversified book of specialty insurance businesses, strong capital adequacy and commitment to disciplined pricing and low windstorm/earthquake exposure are central to AFG’s specialty P&C strategy. AFG generally seeks to reduce exposure to catastrophes through individual risk selection, including minimizing coastal and known fault-line exposures, and the purchase of reinsurance. The Company’s net exposure to a catastrophic earthquake or windstorm that industry models indicate could occur once in every 500 years is estimated to be less than 3.5% of AFG’s shareholders’ equity.

With specialization as a key element of underwriting success, AFG’s P&C businesses are opportunistic; premium volume will vary based on market conditions. AFG continually evaluates expansion in existing markets and opportunities in new specialty markets that meet profitability objectives. Organic growth in many of our specialty casualty lines of business during 2014 serves as a good example of the agility that allows our business leaders to respond to changing market conditions throughout the insurance cycle.

On April 1, 2014, AFG acquired Summit Holding Southeast, Inc. Summit is a leading provider of workers’ compensation solutions in the southeastern United States. Summit’s strong market leadership, product mix and geographic reach are a compelling addition to AFG’s current workers’ compensation businesses and our specialty P&C portfolio overall. Additionally, in March 2014, we announced the start-up of our Aviation Division, which focuses on aviation

risks that require a tailored approach. AFG's management recognizes that an opportunistic approach may also prompt us to withdraw from markets that do not meet profit objectives or fit with our business strategy, such as the withdrawal from certain auto programs over the last few years.


The specialty P&C insurance group generated an underwriting profit of \$237 million in 2014, up 15% from the prior year, reflecting significant premium growth at a combined operating ratio of 93.9%, which was relatively unchanged from the 2013 ratio. Net written premiums were \$4.0 billion, up 20% from 2013, and include nine months of premiums from Summit. Excluding the impact of Summit, AFG's net written premiums increased by 8%. Although each of our specialty P&C groups reported growth in premiums, the increase was primarily due to higher premiums in our Specialty Casualty Group.

Overall renewal rates were up 3% for the year. Loss cost trends appeared to be benign across our portfolio of businesses, which helps to drive meaningful growth and value creation in our business over time.

Our **Property and Transportation Group** is comprised of several specialty insurance niche operations that are leaders in the markets they serve, including our crop insurance operations and our 51%-owned National Interstate subsidiary. We are also the leading provider of coverage to the equine community through our equine mortality business and among the top providers of coverage for independent owner/operators in the trucking industry. Other businesses in this group offer property and inland marine and ocean marine insurance, as well as various forms of coverage for the agricultural industry.

This group reported an underwriting profit of \$21 million in 2014, compared to \$12 million in the prior year. This increase is primarily attributable to higher underwriting profitability in our property and inland marine businesses,

partially offset by lower underwriting profits in our agricultural operations. Catastrophe losses were \$20 million in 2014, compared to \$27 million in 2013. Gross written premiums for the full year of 2014 decreased approximately 2%, reflecting the impact of lower 2014 commodity prices on our crop operations, primarily offset by growth in our transportation businesses resulting from rate increases. Excluding the impact of our crop insurance operations, gross written premiums for this group increased by approximately 6% in 2014. Overall renewal rates for this group increased by approximately 5% during 2014, and include a 7% increase in National Interstate's renewal rates.



Great American Insurance Company is rated "A+" (Superior) and is one of only five property and casualty insurers to have maintained a financial strength rating of "A" or better from A.M. Best Company for over 100 years.

The Property and Transportation Group is expected to produce a combined operating ratio in the range of 94% to 98% in 2015. We expect this group's net written premiums to be flat to up 4% from amounts reported in 2014, primarily as a result of rate increases in our transportation and property and inland marine businesses, offset by lower commodity price futures for corn and soybeans. Excluding our crop insurance operations, we expect growth in 2015 net written premiums in this group to be in the range of 3% to 7%.

Now the largest group within our specialty P&C operations, the **Specialty Casualty Group** includes our workers' compensation, executive and professional liability, general liability, excess and surplus, international operations, as well as our non-profit social services business. This group also provides coverage to targeted markets such as environmental insurance solutions, package products for the public sector and risk sharing captive

AFG continually evaluates expansion in existing markets and opportunities in new specialty markets that meet profitability objectives.

programs. Our Specialty Casualty Group reported an underwriting profit of \$136 million in 2014, compared to \$102 million in 2013. Higher underwriting profits in our workers' compensation businesses (including nine months of earnings from Summit), coupled with improved results in our targeted markets business, were partially offset by lower underwriting profits in our general liability lines of business, adverse prior year reserve development in our international operations and lower favorable prior year reserve development in our executive liability business. The majority of businesses in this group produced strong underwriting profit margins during 2014.

Gross written premiums increased by 41% during 2014. Excluding the impact of Summit, growth in gross written premiums was approximately 18%, with growth reported in every business within this group for the full year of 2014. New business opportunities and increased exposures from higher payrolls on existing accounts contributed to strong growth in our workers' compensation businesses. Broadening opportunities to write new business

coupled with the benefit from rate increases over multiple quarters have also generated increased premiums in our excess and surplus lines and our targeted markets businesses. Average renewal rates for this group during 2014 were up 2%. After approximately four years of rate increases in our workers' compensation and excess and surplus lines businesses, we experienced some rate deceleration in the second half of 2014 as a result of excellent underwriting profit margins.

We expect the Specialty Casualty Group to produce a combined operating ratio between 90% and 94% and growth in net written premiums between 8% and 12% in 2015. These growth estimates are based on nine months of earnings and premiums from Summit in 2014. Excluding Summit, we expect 2015 net written premium growth in the 4% to 8% range.

The **Specialty Financial Group** includes our financial institutions business, the largest business unit in this group, which offers a wide variety of insurance coverages to lending and leasing institutions. Also included in this group are our fidelity and crime and trade credit operations, as well as our surety business. The Specialty Financial Group reported an underwriting profit of \$64 million for 2014, compared to \$67 million in 2013. The businesses in this group continued to produce strong underwriting profit margins during 2014, with an overall combined operating ratio of 86.5%.

Gross written premiums were 3% lower in 2014 compared to the prior year, primarily as a result of the October 2013 sale of a service contract business, which ceded all of its premiums under reinsurance contracts. Growth in most of the remaining businesses in this group partially offset these declines. Average renewal rates for this group for the year were down approximately 1% compared to the prior year period. We expect the Specialty Financial Group's 2015 combined operating ratio to be between 86% and 90%. We project 2015 net written premiums to be up 1% to 5%.



Annuities

Through the annuity operations of Great American Insurance Group, AFG sells traditional fixed and fixed-indexed annuities in the retail, financial institutions and education markets. The ratings assigned by independent insurance ratings agencies are an important competitive factor because agents, potential policyholders, banks and school districts often use a company's rating as an initial screening device when considering annuity products. We believe AFG's strong ratings have allowed it to successfully compete in the annuity marketplace. Today, single premium annuities sold through independent agents and financial institutions represent about 94% of this group's statutory annuity premiums. Our education market focuses on sales of 403(b) fixed annuities, primarily to educators in the K-12 market, a market we have served for more than 35 years.

AFG sells single premium annuities primarily through a retail network of approximately 60 national marketing organizations and managing general agents who, in turn, direct over 1,200 actively producing agents. AFG also sells single premium annuities in financial institutions through direct relationships with certain banks and through independent agents and brokers who service other financial institutions. For the full year 2014, AFG ranked #1 in sales of fixed-indexed annuities through financial institutions and in the top six for sales of fixed annuities overall. As a consistent, experienced participant in these markets, we continue to look for

ways to best serve the needs of our policyholders and distribution partners. We are committed to the development of products that optimize value for our policyholders and shareholders. Growth in our annuity reserves, accompanied by pricing discipline and exceptional investment results, have been instrumental in achieving compounded annual growth in core pretax operating earnings of about 20% in AFG's annuity business over the past three years.

Core pretax operating earnings of the annuity business in 2014 were \$328 million, consistent with the record core pretax earnings reported in 2013. Because interest rate and stock market fluctuations have an impact on the accounting for fixed-indexed annuities (FIAs), these accounting adjustments are recognized through AFG's reported core earnings. The impact of fair value accounting during 2014 was a negative \$34 million versus a positive \$15 million during 2013. Excluding the impact of fair value accounting on FIAs, core pretax operating earnings increased by 16% during 2014.

The focus of our annuity business is to maintain appropriate spreads on our base of invested assets. Over the last year, average fixed annuity investments, at amortized cost, grew by 17% and average fixed annuity reserves were up 18% compared to 2013.

Our "net interest spread," which represents the difference between net investment income earned and interest credited, was 2.78% for the full year 2014, a decrease of 16 basis points from the



comparable prior year period. This decrease was due primarily to the run-off of higher-yielding investments, partially offset by lower crediting rates.

Annuity premiums for 2014 were \$3.7 billion, the second-highest in AFG's history.

The "net spread earned" represents our net interest spread less expenses, plus or minus any impact that fluctuations in the stock market or interest rates have on the accounting for our fixed-indexed annuity assets and liabilities. During 2014, the net spread earned was 1.41%, a decrease of 19 basis points from 2013, reflecting the impact that lower interest rates and stock market performance had on AFG's fixed-indexed annuity business. Earnings in both years benefitted from unanticipated investment and other income.

Annuity premiums for 2014 were \$3.7 billion, the second-highest in AFG's history. Sales of fixed annuities through financial institutions continue to be a valuable source of annuity sales for AFG and now represent nearly half of total annuity premiums.

As we look to 2015, we expect average fixed annuity investments and average fixed annuity reserves to grow by 8% to 12% and our net spread earned to be 1.20% to 1.35%, a range that is approximately 5 to 20 basis points lower than the 141 basis points achieved for the full year of 2014. We currently expect that AFG's annuity premiums in 2015 will be flat to down slightly compared to the \$3.7 billion achieved in 2014.

Significant changes in market interest rates and/or the stock market could lead to significant positive or negative impacts on results in our annuity operations.

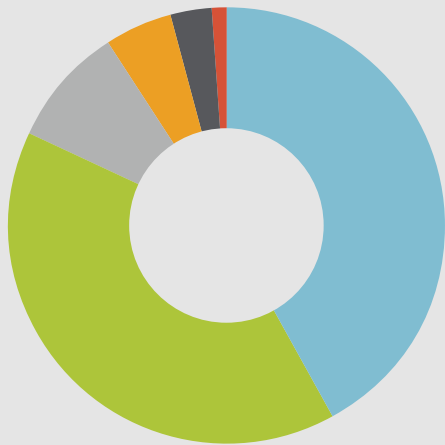
Investments

Our investment philosophy is to focus on high-quality investments that maximize returns on a long-term basis, rather than focusing on short-term performance. Fixed income investments, primarily investment grade bonds and mortgage-backed securities, account for approximately 94% of our total investments. Approximately 87% of our fixed maturity investments are rated investment grade, and 97% have an NAIC designation of 1 or 2, the highest two levels. Stocks, real estate and other investments make up the remaining 6% of our portfolio. During 2014, our unrealized after-tax gain on investments increased by approximately \$180 million to \$743 million.

Our real estate investment strategy is based upon our history of buying under-performing or out-of-favor assets, developing and managing them "in house", and selling them when we believe the value has been maximized. We continue to look for ways to optimize value in our real estate portfolio. Over the past 10 years, we have realized net pretax gains of approximately \$250 million on sales of real estate properties.

For 2015, we expect property and casualty pretax net investment income to be approximately 5% higher than 2014 results. This increase reflects a full year of investment income from assets received in connection with the Summit acquisition, partially offset by the run-off of higher yielding securities and generally lower reinvestment rates. We continue to look for attractive investment opportunities and will capitalize on our strong internal investment capabilities that will give us a competitive advantage. We believe that our investment returns will continue to be a major contributor to our earnings and book value growth.

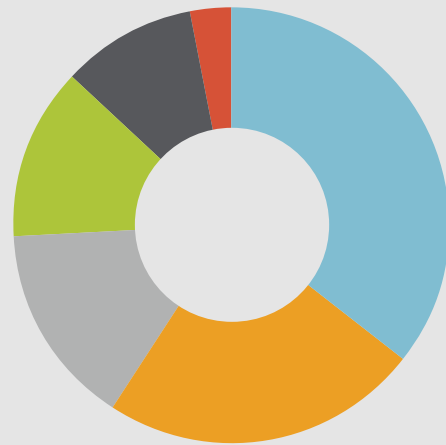
2014 Annuity Premiums – \$3.7 Billion



- 42% Retail Single Premium-Indexed
- 40% Financial Institutions-Indexed
- 9% Financial Institutions-Fixed
- 5% Education Market
- 3% Retail Single Premium-Fixed
- 1% Variable Annuities

Annuity Reserves (GAAP) – \$24.4 Billion

As of December 31, 2014

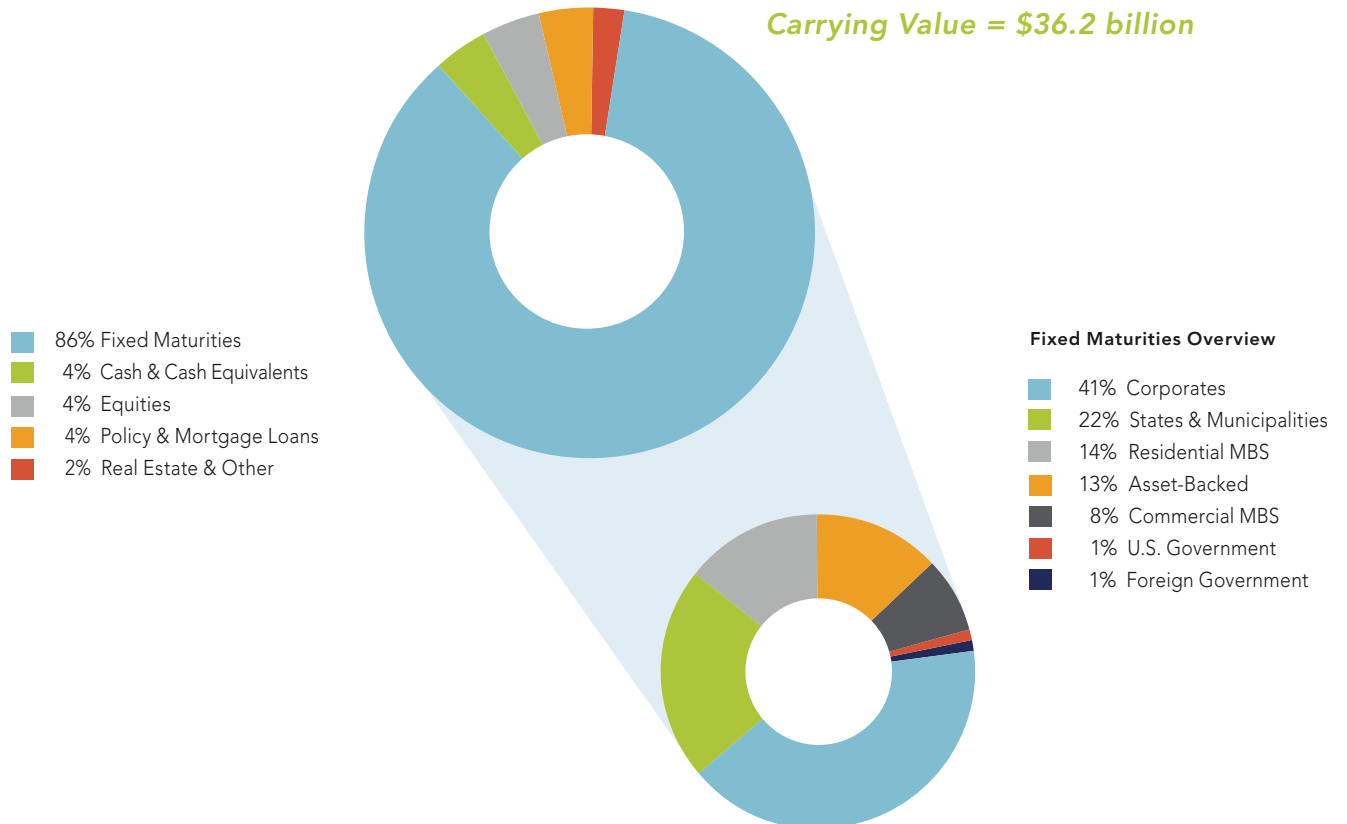


- 36% Retail Single Premium-Indexed
- 23% Education Market
- 15% Financial Institutions-Fixed
- 13% Financial Institutions-Indexed
- 10% Retail Single Premium-Fixed
- 3% Variable (Separate Account)

Investment Portfolio

As of December 31, 2014

Carrying Value = \$36.2 billion



SPECIALTY PROPERTY AND CASUALTY INSURANCE OPERATIONS



Property and Transportation Group

Year Ended December 31 (dollars in millions)

	2014	2013	2012
Gross Written Premiums	\$2,342	\$2,392	\$2,271
Net Written Premiums	\$1,566	\$1,547	\$1,473
GAAP Combined Ratio	98.7%	99.2%	98.7%

Specialty Casualty Group

Year Ended December 31 (dollars in millions)

	2014	2013	2012
Gross Written Premiums	\$2,529	\$1,790	\$1,484
Net Written Premiums	\$1,864	\$1,224	\$992
GAAP Combined Ratio	92.3%	90.9%	94.5%

Specialty Financial Group

Year Ended December 31 (dollars in millions)

	2014	2013	2012
Gross Written Premiums	\$605	\$622	\$566
Net Written Premiums	\$488	\$486	\$411
GAAP Combined Ratio	86.5%	85.6%	89.2%

2014 Gross Written Premiums
\$5.5 Billion



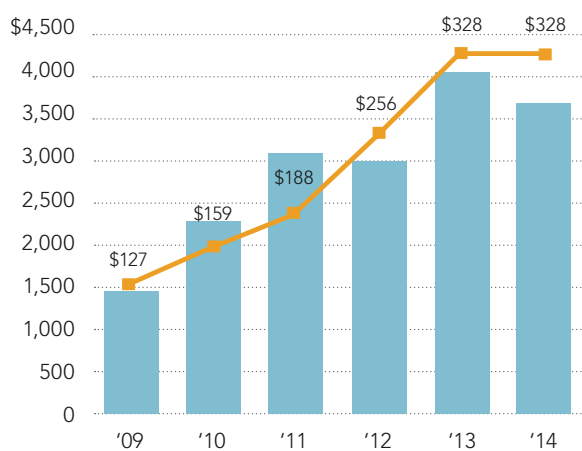
- 46% Specialty Casualty
- 43% Property and Transportation
- 11% Specialty Financial

ANNUITY OPERATIONS



Premium and Earnings Growth

Year Ended December 31 (dollars in millions)



■ Statutory Annuity Premiums
 ■ Pretax Core Annuity Earnings

Components of Earnings

Year Ended December 31 (dollars in millions)

	2014	2013	2012
Core operating earnings before impact of fair value accounting on FIAs	\$362	\$313	\$271
Impact of fair value accounting	(34)	15	(15)
Core operating earnings before income taxes	\$328	\$328	\$256

Net Spread on Fixed Annuities

Year Ended December 31 (dollars in millions)

	2014	2013	2012
Average fixed annuity investments	\$22,391	\$19,151	\$16,650
Average fixed annuity benefits accumulated	\$22,119	\$18,696	\$16,394
Net interest spread	2.78%	2.94%	3.12%
Net spread earned	1.41%	1.60%	1.48%

BRAND OVERVIEW

A Creative Blend

Our brand represents our promises to our policyholders, agents, employees and investors – what they can expect from us and how we differentiate ourselves from our competitors. Our brand has evolved over many years and embodies quality products, a commitment to service and a foundation built on strong values. Care, commitment, expertise and passion comprise the building of a successful brand, similar to the rendering of an artistic masterpiece.

Our AFG and Great American Insurance Group brands are rooted in a commitment to help businesses manage their unique financial risks and to help individuals save for their financial futures. Our deep specialty focus enables us to serve more than 30 niche specialty insurance industries and is exemplified by insurance professionals who have a passion for the markets they serve. This passion may be the result of their personal or professional expertise as entrepreneurs or as specialists within certain sectors including agriculture, transportation, education or the nonprofit sector.

Approximately 60% of the gross written premium in our specialty P&C operations is generated by businesses that have “top 10” market rankings. Similarly, our annuity businesses ranked in the top six

in sales of fixed annuities overall and is ranked #1 in the sales of fixed-indexed annuities through financial institutions for the year ended December 31, 2014.

Our crop insurance operations rank fourth in terms of industry gross written premium. Our 51%-owned National Interstate subsidiary ranks as one of the largest providers of insurance coverage for the passenger transportation and moving and storage industries. We are also the number one provider of coverage to the equine community through our equine mortality business and among the top providers of coverage for independent owner/operators in the trucking industry. We are among the top three insurers serving the non-profit and social service agency market, the number one provider of insurance for casinos and armored cars and the fourth-largest provider of fidelity and crime insurance. In addition, with the acquisition of Summit, we are now the number one provider of workers’ compensation in the southeast United States.

Underlying our market leadership is a culture founded on integrity that embraces values such as accountability, discipline, respect for others and clear and open communications. The unique blending of these elements composes the picture of who we are.





AMERICAN FINANCIAL GROUP BOARD OF DIRECTORS

Seated, left to right: Craig Lindner, Gina Drosos, Ken Ambrecht, John Von Lehman, Carl Lindner III. *Standing, left to right:* Jim Evans, Jeff Consolino, Greg Joseph, Terry Jacobs, Will Verity, John Berding

As of March 16, 2015

Carl H. Lindner III

Co-Chief Executive Officer, American Financial Group, Inc.,
Chairman, Great American Insurance Company

S. Craig Lindner

Co-Chief Executive Officer, American Financial Group, Inc.,
President and Chief Executive Officer, Great American Financial
Resources, Inc.,
Chairman, American Money Management Corporation

Kenneth C. Ambrecht ^{2, 3}

Principal, KCA Associates, LLC, a consulting firm to participants in
the capital markets

John B. Berding

President, American Money Management Corporation

Joseph E. (Jeff) Consolino

Executive Vice President and Chief Financial Officer,
American Financial Group, Inc.,
Chairman, National Interstate Corporation

Virginia (Gina) C. Drosos ^{1, 3}

President and CEO, Assurex Health, a personalized medicine
company specializing in pharmacogenomics

James E. Evans

Former Senior Executive Officer and currently Executive
Consultant to American Financial Group, Inc.

Terry S. Jacobs ^{1, 2*}

Chairman and Chief Executive Officer, The JFP Group, LLC, a real
estate development company

Gregory G. Joseph ^{1*}

Executive Vice President and Principal, Joseph Automotive Group,
an automobile dealership and real estate management company

William W. Verity ^{2, 3*}

President, Verity & Verity, LLC, an investment management
company

John I. Von Lehman ^{1, 3}

Retired Executive Vice President, Chief Financial Officer and
Secretary, The Midland Company, an Ohio-based provider of
specialty insurance products

Board of Directors Committees:

¹ Audit Committee

² Compensation Committee

³ Corporate Governance Committee

* Chairman of Committee

SENIOR MANAGEMENT

As of March 16, 2015

American Financial Group

Carl H. Lindner III
Co-Chief Executive Officer

S. Craig Lindner
Co-Chief Executive Officer

Joseph E. (Jeff) Consolino
Executive Vice President and
Chief Financial Officer

Michelle A. Gillis
Senior Vice President and
Chief Administrative Officer

Vito C. Peraino
Senior Vice President and
General Counsel

H. Kim Baird
Vice President – Tax

Robert E. Dobbs
Vice President – Internal Audit

Karl J. Grafe
Vice President, Assistant General Counsel
and Secretary

Brian S. Hertzman
Vice President and Controller

Piyush K. Singh
Vice President

Mark A. Weiss
Vice President and
Assistant General Counsel

David J. Witzgall
Vice President and Treasurer

Property and Casualty Operations

Donald D. Larson
President and Chief Operating Officer

Ronald J. Brichler
Executive Vice President

Gary J. Gruber
Executive Vice President

Vincent McLenaghan
Executive Vice President

Annuity Operations

Mark F. Muething
Executive Vice President and
Chief Operating Officer

Christopher P. Miliano
Executive Vice President and
Chief Financial Officer

Michael J. Prager
Executive Vice President and
Chief Actuary



Annual Shareholders' Meeting

The Annual Shareholders' Meeting will be held at our Company's headquarters, Great American Insurance Group Tower, in Cincinnati on May 12, 2015. Notices will be mailed to all holders of the Company's Common Stock.

Common Stock Market Information

American Financial Group's Common Stock is traded on the New York Stock Exchange under the symbol AFG. On February 1, 2015, approximately 5,900 holders of record own our shares.

Dividend Reinvestment Plan

This plan allows registered shareholders to automatically reinvest the dividends on their AFG Common Stock toward the purchase of additional shares of AFG Common Stock at a 4% discount to the current market price. Dividend Reinvestment Plan information and enrollment forms may be obtained from the Company's Transfer Agent.

Additional Information

Investors or analysts requesting additional information, including copies of the American Financial Group, Inc. Form 10-K as filed with the Securities and Exchange Commission, may contact:

Investor Relations
American Financial Group, Inc.
Great American Insurance Group Tower
301 E. Fourth Street
Cincinnati, Ohio 45202
(513) 579-6739
AFGInvestorRelations@amfin.com

SEC filings, news releases and other information may also be accessed on American Financial Group's website at www.AFGinc.com.

Forward-Looking Statements

The disclosures in this 2014 Annual Report and in the accompanying Form 10-K contain certain forward-looking statements that are subject to numerous assumptions, risks or uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Some of the forward-looking statements can be identified by the use of words such as "anticipates", "believes", "expects", "projects", "estimates", "intends", "plans", "seeks", "could", "may", "should", "will" or the negative version of those words or other comparable terminology. Such forward-looking statements include statements relating to: expectations concerning market and other conditions and their effect on future premiums, revenues, earnings and investment activities; recoverability of asset values; expected losses and the adequacy of reserves for long-term care, asbestos, environmental pollution and mass tort claims; rate changes; and improved loss experience.

Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including but not limited to the following and those discussed in our filings with the Securities and Exchange Commission:

- changes in financial, political and economic conditions, including changes in interest and inflation rates, currency fluctuations and extended economic recessions or expansions in the U.S. and/or abroad;
- performance of securities markets;
- AFG's ability to estimate accurately the likelihood, magnitude and timing of any losses in connection with investments in the non-agency residential mortgage market;
- new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in AFG's investment portfolio;
- the availability of capital;
- regulatory actions (including changes in statutory accounting rules);
- changes in the legal environment affecting AFG or its customers;
- tax law and accounting changes;
- levels of natural catastrophes and severe weather, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war or losses resulting from civil unrest and other major losses;
- development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims and AFG's run-off long-term care business;
- availability of reinsurance and ability of reinsurers to pay their obligations;
- trends in persistency, mortality and morbidity;
- competitive pressures, including those in the annuity distribution channels;
- the ability to obtain adequate rates and policy terms; and
- changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to AFG's operating subsidiaries.



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AFGinc.com / GreatAmericanInsuranceGroup.com